

OVERVIEW

This Report includes three chapters on the Finance Accounts and Appropriation Accounts for the year 2003-04 of the State Government and Internal Control Arrangements in Finance Department and four other chapters, comprising three reviews and 45 paragraphs (including four general paragraphs), based on the audit of certain selected programmes and activities and the financial transactions of the Government. According to existing arrangement, copies of the draft audit paragraphs and draft audit reviews are sent to the concerned Secretary to the State Government by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. The Secretaries are also reminded by the Principal Accountant General. However, despite such efforts, in respect of 18 audit paragraphs and three reviews in this Report, no response was received from the concerned Secretary to the State Government.

A synopsis of the important findings contained in this Report is presented in this overview.

1. Finances of the State Government

The revenue receipts (Rs.1,399 crore) of the State exceeded the revenue expenditure (Rs.1,314 crore) during 2003-04 resulting in a revenue surplus of Rs.85 crore. Overall revenue receipts of the State during the year increased by 8.53 *per cent* over the previous year as against the trend rate of 10.58 *per cent* during the five-year period 1999-2004. While 78 *per cent* of the revenue receipts during 2003-04 have come from central tax transfers and grants-in-aid from Government of India, State's own sources of revenue comprising tax and non-tax sources together contributed around 22 *per cent* only.

Revenue expenditure of the State increased from Rs.928 crore in 1999-2000 to Rs.1,314 crore in 2003-04, at an average growth rate of 9.69 *per cent* per annum. The total expenditure in 2003-04 had increased by Rs.153 crore over previous year. On an average 81 *per cent* of total expenditure during 2003-04 was on current consumption. The expenditure on General Services and interest payments considered as non-developmental, together accounted for 34.03 *per cent* in 2003-04 as against 29.86 *per cent* in 1999-2000. On the other hand, development expenditure accounted for 61.65 *per cent* in 2003-04 as against 64.20 *per cent* in 1999-2000, indicating a decline in developmental expenditure.

The fiscal deficit increased substantially and averaged Rs.209 crore during 1999-2004. Fiscal liabilities of the State increased from Rs.1,124 crore in 1999-2000 to Rs.1,952 crore in 2003-04 on an average rate of 16.54 *per cent* during 1999-2004, ratio of fiscal liabilities to Gross State Domestic Product was on the rise and interest spread was declining. The State's low return on investment (less than one *per cent*) during the last five years indicated an implicit subsidy and use of high cost borrowings for investments which yielded very little. The balance from current revenues of the State also continued to be negative, thereby reducing availability of funds for additional infrastructure support and other revenue generating investment.

(Paragraphs 1.1 to 1.10)

2. Allocative Priorities and Appropriation

During 2003-04, expenditure of Rs.1,837 crore (gross) was incurred against the total Grant and Appropriation of Rs.2,273 crore resulting in a saving of Rs.436 crore (19 *per cent*). The overall saving was the result of savings of Rs.466 crore in 59 cases of Grants and Appropriations offset by excess of Rs.30 crore in three Grants and two cases of Appropriations. The above excess of Rs.30 crore requires regularisation by the Legislature under Article 205 of the Constitution.

(Paragraphs 2.2 & 2.4)

3. Internal Control Arrangements

Internal control mechanism in the Finance Department had not yet gathered momentum. The internal audit of Government departments by the Examiner of Local Accounts depended mainly upon the desire of the concerned departments indicating lack of independence in the system. There was absence of proper internal control in the department which led to delay in utilisation of funds, obtaining of unnecessary supplementary provisions by various departments and serious deficiency in the control over expenditure.

(Paragraph 7.1)

4. Audit Reviews on Developmental/Welfare Programmes, etc.**(i) Rural Health Services in Meghalaya**

The delivery of primary health care is the foundation of rural health care services. In accordance with the National Health Policy, priority was to be given by the State for extension, expansion and consolidation of rural health infrastructure like Health Sub-Centre (HSC), Primary Health Centre (PHC) and Community Health Centre (CHC). Failure of the Health and Family Welfare Department in establishment of even one of the targeted HSC during 1999-2004, which is the basic contact point between the primary health care system and the community, was indicative of the fact that expansion of rural health infrastructure did not get priority in the State. Besides, 25 health centres (HSC: 1; PHC: 19; CHC: 5) could not be made functional despite construction of buildings at a cost of Rs.15.22 crore.

(Paragraph 3.1)

(ii) Working of Public Health Engineering Department

The Public Health Engineering Department is mainly responsible for providing safe drinking water to urban and rural population of the State. There was significant shortfall (26 *per cent*) in coverage of habitations with drinking water during 1999-2004. Expenditure of Rs.7.38 crore (up to March 2004) incurred by the department on 40 rural water supply schemes had become unproductive, since these schemes remained incomplete for period ranging from one to three years. Besides, Resubelpara Civil Sub-Division complex and enroute villages water supply scheme, scheduled to be completed by March 2000, remained incomplete even after four years despite expenditure of Rs.2.95 crore thereby denying the targeted population of safe drinking water.

(Paragraph 3.2)

(iii) Fund Management

The main sources of funds of the Meghalaya State Electricity Board (Board) are through sale of power, loans/grants from Government, subsidy on rural electrification and borrowings. Review on fund management of the Board revealed the following irregularities:

Failure to revise load security deposit led to a loss of Rs.24.10 crore.

The revenue arrear stood at Rs.207.42 crore at the end of 2002-03 which represented 15.68 months' billing/assessment.

Board failed to avail of rebate amounting to Rs.1.16 crore due to delay in payment of bills of power purchase and instead paid delayed payment surcharge to the tune of Rs.1.68 crore.

Injudicious rebate of Rs.2.01 crore was allowed to EHT consumers.

Rural Electrification subsidy of Rs.106.91 crore awaited realisation from the State Government.

(Paragraph 6.2)

5. Other points of interest

(A) Civil

(i) *Unfruitful expenditure*

Inaction of the Agriculture Department/Meghalaya State Agricultural Marketing Board in utilisation of the cold storages at Mawiong and Garobadha resulted in unfruitful expenditure of Rs.1.91 crore incurred on their construction, besides loss of revenue to the extent of Rs.1.06 crore.

(Paragraph 4.1)

Failure of the Fisheries Department in taking timely action to improve the productivity of fish in the Kyrdemkulai and Nongmahir reservoirs resulted in unfruitful expenditure of Rs.87.74 lakh.

(Paragraph 4.2)

Execution of work on the extended portion of a road (Mawngap-Mairang Road – Section I) without execution of sub-base and base course resulted in unfruitful expenditure of Rs.36.05 lakh.

(Paragraph 4.4)

(ii) *Doubtful execution*

Execution of a road (Mawlong to Umtraï – portion from Umbi to Umtraï) by the Shillong North Division at the cost of Rs.44.27 lakh without construction of required hume pipe culverts remained doubtful.

(Paragraph 4.5)

(B) Revenue

Erroneous exemption of excise duty on 18,000 cases of spirit imported for use in manufacture of India Made Foreign Liquor (IMFL) led to loss of revenue of Rs.90 lakh.

(Paragraph 5.2)

Failure of the Department to initiate action for recovery of excise duty on 16,864 cases of IMFL/Beer from two licencees of bond led to loss of revenue of Rs.72.18 lakh.

(Paragraph 5.3)

Failure of the Department to initiate action in accordance with the relevant Act resulted in short realisation of excise duty of Rs.30.75 lakh.

(Paragraph 5.4)

Meghalaya Forest Development Corporation was unauthorisedly allowed to lift timber on part payment of Rs.58.75 lakh against full royalty of Rs.1.60 crore.

(Paragraph 5.7)

Delay in implementing the revised rate of royalty on coal led to short realisation of royalty of Rs.18.56 crore.

(Paragraph 5.11)

Royalty and penalty of Rs.1.51 crore leviable on despatch of excess coal through mineral check gates were not realised.

(Paragraph 5.13)

Failure of the Department to detect unauthorised extraction of limestone by seven firms led to non-realisation of royalty of Rs.1.07 crore inclusive of penalty.

(Paragraph 5.14)

Interest of Rs.7.01 crore due from five dealers could not be recovered due to non-inclusion of up-to-date interest in the requisition sent to the Bakijai Officer.

(Paragraph 5.16)

Failure to detect actual quantity of coal carried in excess of permissible limit led to short realisation of additional security of Rs.3.80 crore.

(Paragraph 5.17)

Thirteen registered dealers concealed turnover and evaded tax of Rs.75.44 lakh besides maximum penalty of Rs.1.13 crore.

(Paragraph 5.18)

Non-completion of assessment in respect of a registered dealer on best judgement basis led to loss of revenue of Rs.57.52 lakh.

(Paragraph 5.19)

Failure to register four coal dealers led to evasion of tax of Rs.48.16 lakh.

(Paragraph 5.20)

Fine of Rs.234.97 crore was not levied by the Enforcement Wing of the Transport Department from 2,48,184 commercial trucks carrying excess load of coal beyond the permissible limit.

(Paragraph 5.28)

(C) Commercial

Irregular sanction of loan to Sick Units

Recovery of loan of Rs.3.50 crore sanctioned by the Meghalaya Industrial Development Corporation Limited to two sick units contrary to Government directives have become doubtful of recovery.

(Paragraph 6.4)

Excess payment

The Meghalaya State Electricity Board made excess payment of Meghalaya Finance Tax amounting to Rs.65.22 lakh due to wrong application of rate.

(Paragraph 6.5)

Loss of revenue

The Meghalaya Transport Corporation sustained loss of revenue of Rs.16.84 lakh due to fixation of rent at lower rate; besides, there were unrealised dues amounting to Rs.21.66 lakh.

(Paragraph 6.7)